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SUBJECT: EU LEADERS PRAISE G20 SUMMIT OUTCOMES,
OUTLINE EU NEXT STEPS

¶1. (SBU) SUMMARY. EU leaders expressed public and private approval over the G20 Financial Summit discussion and adoption of a detailed action plan. French President Sarkozy, British PM Brown, European Commission President Barroso and Economic and Monetary Affairs Commissioner Almunia, all of whom attended the Summit, praised the event as an important step forward in coordinating global responses to the financial crisis. President Sarkozy announced he will hold a follow-on conference in January in parallel with the G20 process. Commission sources indicated the Summit was helpful in getting major emerging market country buy-in to key regulatory and fiscal responses to the crisis, but said that individual G20 participant participation varied dramatically. The EU is now focused on internal crisis responses, including passing existing legislative proposals on capital requirements and credit rating agency regulation, and presenting new proposals to stimulate demand and regulate hedge funds and private equity. END SUMMARY.

EUROPEAN LEADERS REACT FAVORABLY TO SUMMIT

¶2. (U) European leaders welcomed the G20 Summit statement as a significant step in coordinating joint global action to counter the financial crisis. French President Sarkozy described the U.S. attitude to financial regulation as representing a historic shift because of the declaration of the promise that all

financial markets, products and participants are regulated or subject to oversight.

13. (U) British Prime Minister Gordon Brown welcomed the Summit's rejection of protectionist tendencies and said that it is the first time that a meeting of world leaders has instructed ministers to come to an agreement [on global trade], and I think that we will see an agreement in the next few weeks.

14. (SBU) President Sarkozy's office announced November 18 that France will host a January conference of world leaders and experts, to complement the G20 Summit process, entitled "New World: Values, Development and Regulation." The stated goal of the meeting is to seek ways out of the financial crisis. The announcement said British ex-PM Tony Blair would co-host, and that notable economists and political thinkers including Joseph Stiglitz, Amartya Sen and Francis Fukuyama would attend. Sarkozy's office said the meeting is meant to be a more informal forum than the G20 process and will take no decisions. (Comment: the conference announcement indicates a social European bent to the discussion, likely to veer far from our market-focused crisis response efforts. End Comment.)

15. (U) European Central Bank President Jean-Claude Trichet said that there is a need to introduce a framework to dampen the inherent tendency for

BRUSSELS 00001757 002 OF 004

financial systems to cause periods of booms, by building up imbalances, and then to go through busts.

BARROSO EFFUSIVE ON SUMMIT RESULTS

16. (U) In remarks to the European Parliament November 18, European Commission President Jose Manuel Barroso had high praise for the G20 Summit results: "In my personal opinion, this first G-20 meeting definitely marks a new era in the collective steering of the global economy" and "last weekend, I saw an open-mindedness, even among developing countries, that wouldn't have been there a few months ago. It is time now for Europe to make its mark."

17. (U) Barroso said the Washington Summit paved the way for a new global governance model based on the free market but also on the principles of the social market economy the EU values so much. Barroso emphasized the EU's resolve to address the global financial and economic crisis in parallel with other global issues such as the Millennium development goals, climate change, food security, poverty and disease. "It would be obscene to discuss the financial system without thinking of the people that do not have access to food or clean drinking water," he said.

18. (U) The Commission President told MEPs that the Commission would present an economic recovery program on November 26. He said such support measures would need to be "timely, targeted and temporary," and aimed above all at limiting the crisis on citizens. Barroso said the economic tools chosen should use all levers available; fiscal, structural and regulatory at European and national levels in a coordinated manner. He believed the current crisis was an "excellent opportunity" to show that investment in clean technology/energy to fight climate change was not detrimental to economic growth.

¶9. (U) Barroso, in presenting the Commission's 2009 work program, said the EU needs a budgetary policy to promote demand, make use of synergies of member states and avoid negative spill-over from the financial crisis. He asked the Parliament to approve rapidly the Commission's legislative proposals on bank recapitalization, deposit guarantees and credit rating agency regulation. He added that Internal Market Commissioner McCreevy will put forward legislative proposals on hedge funds and private equity as early as December 3. (Note: Parliament had asked for these proposals in reports issued earlier this year).

¶10. (U) Barroso speculated that the next U.S. Administration could bring the U.S. closer to the European model of regulated markets with wide social

BRUSSELS 00001757 003 OF 004

safety nets by saying that it is not Europe that is following the American model, it is America that is considering a more European model.

COMMISSIONER ALMUNIA PLEASED WITH SUMMIT OUTCOMES

¶11. (SBU) Elisabetta Capannelli of Economic and Monetary Affairs Commissioner Almunia's cabinet (protect) told USEU November 18 that the Commissioner, who attended the Summit with Barroso, is very happy with the Summit outcomes. She explained that Almunia was pleased by the detail in the Summit declaration and action plan, and credited the G8 sherpas (particularly from the U.S.) and the Treasury Department for crafting a strong plan. She noted that the Commissioner expressed dismay at press accounts suggesting the Summit accomplished little. She called press coverage of the Summit unfair and inaccurate, and thought personally that the action plan commitments fit well with Europe's own efforts at financial crisis recovery.

¶12. (SBU) Capannelli said that Commission G8 Sherpa Joao Vale de Almeida (Barroso's Chief of Cabinet) and ECFIN Director General Marco Buti worked with other sherpas until the morning of the Summit to finalize the declaration and action plan.

VARIED ROLE OF G20 PARTICIPANTS

¶13. (SBU) Capannelli had heard that Australia was extremely helpful during the Summit discussion, with Brazil playing a good role on Doha and governance issues. She added that China expressed vocal opposition to heavy emphasis on redressing global imbalances, resulting in this being watered down in the final text. India, she said, was silent for much of the discussion, Argentina was fairly quiet, and Saudi Arabia offered no real input.

¶14. (SBU) She noted that Brazil, India, China and South Korea all pushed for the G20 to continue as the key forum for financial crisis summitry going forward. She said the Commission continues to have concerns over whether the G20 configuration is appropriate for this work over the longer term.

EU INSTITUTIONS WORKING ON INTERNAL CRISIS RESPONSES

¶15. (SBU) Capannelli said that the EU institutions are concentrating now on implementing internal measures to address the crisis, and managing high market/public expectations for action. She

reaffirmed that the Commission will issue a Communication November 26 proposing a package of EU and member state measures, including additional stimulus measures, designed to address the crisis; these will need to be approved by the December ECOFIN and December 11-12 European Council meetings.

BRUSSELS 00001757 004 OF 004

¶16. (SBU) USEU will report additional EU feedback on the Summit, including after Ambassador meets with Commissioner McCreevy November 20.

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